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E.O. 11652: GDS

TAGS: PINT, PGOV, TW, CH, US

SUBJECT: TAIWAN ON THE EVE OF THE SECRETARY'S TRIP TO PEKING

1. SUMMARY AND CONCLUSION

ON THE EVE OF THE SECRETARY'S TRIP TO PEKING THERE IS WIDE-SPREAD PUBLIC EXPECTATION ON TAIWAN (IN THE CAPITAL CITY AS WELL AS DOWN-ISLAND CENTERS) THAT THE UNITED STATES WILL SOON NORMALIZE RELATIONS WITH THE PRC AND "ABANDON" TAIWAN. HOWEVER, EVEN THIS PESSIMISTIC ASSESSMENT OF AMERICAN POLICY HAS NOT APPRECIABLY DIMINISHED THE BASIC FEELING OF THE PUBCONFIDENTIAL

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LIC HERE THAT TAIWAN WILL SURVIVE NORMALIZATION WITH ITS CURRENT INSTITUTIONS AND STANDARD OF LIVING LARGELY INTACT. GOVERNMENT OFFICIALS, OF COURSE, REALIZE THAT NORMALIZATION NEED NOT MEAN ABANDONMENT AND WE WOULD THEREFORE EXPECT THEM TO BE ABLE TO ACCEPT NORMALIZATION, ONCE THEY SEE IT AS INEVITABLE, WITH THE SAME EXPECTATION, PROVIDED WE CAN SATISFY THEIR BOTTOM-LINE ECONOMIC AND SECURITY CONCERNS.

- 2. DURING RECENT WEEKS, THE MEDIA HERE HAVE SUCCEEDED IN RAISING PUBLIC CONSCIOUSNESS OF AMERICAN CHINA POLICY TO AN UNPRECEDENTED DEGREE. THE UNFORTUNATE EFFECT OF THE MEDIA BLITZ HAS BEEN TO CONVINCE A LARGE SEGMENT OF THE GENERAL PUBLIC THAT NORMALIZATION OF US-PRC RELATIONS WILL RESULT IN THE "ABANDONMENT" OF TAIWAN. DESPITE THIS, THERE SEEMS TO BE LITTLE OR NO EVIDENCE OF A CRISIS OF CONFIDENCE. U.S. BANKERS DETECT NO SIGN OF PANIC IN THE CHINESE BANKING COMMUNITY, THERE HAS BEEN NO ABNORMAL FLUCTUATION IN THE BLACK MARKET RATE FOR U.S. DOLLARS AND THE STOCK MARKET, WHILE LESS IMPORTANT AS A MEASURE OF CONFIDENCE, HAS RISEN IN THE PAST MONTH.
- 3. CENTRAL GOVERNMENT OFFICIALS WITH RESPONSIBILITIES IN FOREIGN AFFAIRS ARE BEGINNING TO SHOW SIGNS THAT THEY ACCEPT INTELLECTUALLY, ALTHOUGH NOT YET EMOTIONALLY, THE LIKELIHOOD THAT NORMALIZATION, LONG SEEN AS A MATTER OF TIME, IS NOW IMMINENT. THESE SOURCES, HOWEVER, REALIZE THAT NORMALIZATION NEED NOT MEAN "ABANDONMENT" OF TAIWAN. THEY WANT AS MUCH AS THEY CAN GET, BUT IF THE MINIMUM ESSENTIAL ARRANGEMENTS PREVIOUSLY IDENTIFIED BY THE EMBASSY ARE PROVIDED, WE CONTINUE BELIEVE THE PREMIER, WHOSE LEADERSHIP IS ESSENTIAL TO BRINGING TAIWAN THROUGH NORMALIZATION WITHOUT SERIOUS INSTABILITY, WILL BE PREPARED TO LIVE WITH THE ARRANGEMENTS AND WILL WISH US TO WORK WITH CONFIDENTIAL

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HIM TO ENSURE A SMOOTH TRANSITIOM UNDER THOS CIRCUMSTANCES, WE WOULD EXPECT HIM TO BE ABLE TO BRING HIS GOVERNMENT ALONG AND TO TURN THEN TO THE TASK OF SHORING UP PUBLIC CONFIDENCE.

4. WE DO, HOWEVER, EXPECT THE GROC TO CONTINUE THEIR LOBBYING EFFORTS TO DELAY OR THWART THE COMPLETION OF THE NORMALIZATION PROCESS AS LONG AS THEY BELIEVE THE ISSUE OR ANY ASPECT OF IT REMAINS UNDECIDED IN THE UNITED STATES GOVERNMENT.

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